

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2190 - HB 2387

February 21, 2022

SUMMARY OF BILL: Authorizes a winery that pays taxes on 75,000 gallons or less, rather than 50,000 gallons or less, to obtain an additional self-distribution permit. Increases from, 3,000 to 6,000, the maximum cases of wine that a winery may distribute outside of the county in which the winery is located to a licensee holding an on-premises license. Removes maximum distribution amount for wine distributed within the county where the winery is located. Requires a winery distributing more than 6,000 cases outside of the county to enter into a contract with a wholesaler.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$23,000/FY22-23 and Subsequent Years

Increase Local Revenue – \$8,500/FY22-23 and Subsequent Years

Assumptions:

- Self-distribution permits are issued to wineries free of charge; any impact to the Alcoholic Beverage Commission is not significant.
- The proposed legislation is estimated to result in an increase in wine sales of approximately three percent, mostly due to the elimination of the currently imposed distribution limit of 3,000 cases.
- Pursuant to Tenn. Code Ann. § 57-3-302(a), a tax of \$1.21 per gallon is imposed on sale or distribution by sale or gift of wine, the proceeds of which are distributed 82.5 percent to the state and 17.5 percent to the local government, pursuant to Tenn. Code Ann. § 57-3-306(b).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Total wine excise tax collections were \$603,019 in FY20-21. The number of gallons of wine sold by wineries is estimated to be 498,363 ($\$603,019 / \1.21).
- Assuming that wineries direct 25 percent of their sales to licensees holding an on-premises license, the recurring increase in wine excise revenue is estimated to be \$4,523 [$(\$603,019 \times 25.0\%) \times 3.0\%$], of which \$3,731 ($\$4,523 \times 82.5\%$) will be state increase, and \$792 ($\$4,523 \times 17.5\%$) will be local increase.
- The average price per gallon of wine is estimated to be \$75.35. The total number of gallons of wine sold to licensees holding an on-premises license is estimated to be

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124,591 (498,363 x 25.0%). Total taxable sales are estimated to be \$9,387,932 (124,591 x \$75.35), and the increase in taxable sales is estimated to be \$281,638 (\$9,387,932 x 3.0%).

- The recurring net increase in state sales tax collections is estimated to be \$19,002 $[(\$281,638 \times 7.0\%) - (\$281,638 \times 7.0\% \times 3.617\%)]$.
- The recurring increase in local sales tax collections is estimated to be \$7,754 $[(\$281,638 \times 2.5\%) + (\$281,638 \times 7.0\% \times 3.617\%)]$.
- Pursuant to Tenn. Code Ann. § 57-6-201(a), an enforcement tax of \$0.15 is imposed on each case of alcoholic beverages sold at wholesale in Tennessee, proceeds of which are to be deposited in the state's General Fund.
- The number of cases sold by wineries to licensees holding an on-premises license is estimated to be 52,415 (124,591 gallons / 2.377 gallons per case).
- The recurring increase in state revenue is estimated to be \$236 $[(52,415 \times 3.0\%) \times \$0.15]$
- The total recurring increase in state revenue is estimated to be \$22,969 (\$3,731 + \$19,002 + \$236) in FY22-23 and subsequent years; the total recurring increase in local revenue is estimated to be \$8,546 (\$792 + \$7,754) in FY22-23 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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